

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 IO-13 ADP-00 AGR-20 AID-20 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-15

STR-08 CEA-02 DODE-00 PM-07 H-03 L-03 PA-03 PRS-01

USIA-12 INT-08 TAR-02 RSR-01 /207 W

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R 181711Z JUL 73

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 2723

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION GENEVA

USMISSION EC BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 08299

PASS AGRICULTURE

E.O. 11652: GDS

TAGS: EAGR, ETRD, EGEN, EEC, UK

SUBJECT: UNITED KINGDOM REACTION TO POTENTIAL U.S.

AGRICULTURAL EXPORT CONTROLS

REF: STATE 135419; LONDON 7603

BEGIN SUMMARY. UK GOVERNMENT OFFICIALS HAVE EXPRESSED

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FEAR THAT U.S. CONTROLS WILL BE CONTINUED BEYOND SEPT-

EMBER 1. RESPONSIBLE PRESS REACTION HAS BEEN BALANCED. USERS HAVE BEEN QUITE UNDERSTANDING. TWO MAJOR CONCERNS ARE: WILL CONTROLS BE EXTENDED TO FEEDGRAINS AND WHEAT, AND, WHEN WILL A POLICY BE ANNOUNCED SO THAT TRADING IN NEW CROP SOYBEANS CAN TAKE PLACE WITH GUARANTEED DELIVERY. IT IS FELT THE MAJOR IMPLICATIONS OF THE BAN ARE PRESSURE FOR AN INTERNATIONAL GRAIN STOCK-PILING PROGRAM AND SERIOUS PRESSURE BY THE FRENCH FOR AN OILSEEDS CAP. END SUMMARY.

1. GRAIN TRADING IN THE UK IS IN THE HANDS OF PRIVATE TRADERS AND IT IS THEREFORE DIFFICULT TO REPORT NEGOTIATIONS AND SIGNINGS OF ANY NEW MAJOR INTERNATIONAL GRAIN SALES CONTRACTS.

2. CROP PROSPECTS THIS YEAR ARE FOR OUTTURNS ON THE SAME GENERAL MAGNITUDE AS LAST YEAR -- ABOUT 15 MILLION LONG TONS FOR WHEAT AND FEEDGRAINS COMBINED.

3. VARIOUS GOVERNMENT OFFICIALS FROM THE MINISTRY OF AGRICULTURE, FOREIGN OFFICE, AND DEPARTMENT OF TRADE AND INDUSTRY (WHICH HAS RESPONSIBILITY FOR INTERNATIONAL TRADE NEGOTIATIONS) HAVE UNOFFICIALLY TOLD US OF THEIR SERIOUS CONCERN OVER THE U.S. ACTION. THEY HAVE STRESSED THE POTENTIAL ADVERSE EFFECTS ON EC POLICIES AND ON PROSPECTS FOR THE MTN. INTERNATIONAL GRAIN TRADERS ARE DISMAYED AND CONFUSED AND THEY ARE HAVING DIFFICULTY IN TRYING TO DETERMINE WHAT WILL HAPPEN TO UNLICENSED BALANCE OF CONTRACTS. THE RESPONSIBLE PRESS HAS GIVEN EXCELLENT FACTUAL COVERAGE AND BALANCED EDITORIALS ON THE CONTROLS. THE UK WOULD BE ESPECIALLY HARD HIT BY THE IMPACT OF HIGHER FOOD PRICES. FOOD PRICES CONTINUE TO RISE WHILE WAGES ARE FROZEN. HIGH PRICES ARE HAVING ADVERSE EFFECT ON BALANCE OF PAYMENTS, SINCE THE UK IS ONLY ABOUT 50 PERCENT SELF-SUFFICIENT IN FOOD.

4. NO CHANGES IN UK TRADE AND AGRICULTURAL POLICY ARE CONTEMPLATED. HOWEVER, THE UK IS NOW A MEMBER OF THE EC, AND EC POLICY CHANGES WILL INFLUENCE UK PRODUCTION
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AND TRADE.

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USIA-12 INT-08 TAR-02 RSR-01 /207 W

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R 181711Z JUL 73

FM AMEMBASSY LONDON

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INFO AMEMBASSY BONN

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5. EXPORT CONTROLS ARE MAKING IT MORE DIFFICULT FOR
UK TO EXERT MODERATING INFLUENCE ON EC AGRICULTURAL
MATTERS, ESPECIALLY CONCERNING THE CAP.

6. GENERAL COMMENTS:

A) OILSEED CRUSHERS AND THE POULTRY INDUSTRY HAVE THE
MOST SERIOUS PROBLEMS. THE UK COMPOUND FEED AND OIL
CRUSHING INDUSTRIES ARE REACTING CONSTRUCTIVELY AND
POSITIVELY TO THE SITUATION WITHOUT PANIC OR RECRIM-
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INATIONS. COMPOUND FEED MANUFACTURERS ARE USING COMPUTERS TO RATION SOYBEAN MEAL SUPPLIES IN ORDER MOST EFFICIENTLY TO MEET THE MOST CRITICAL NEEDS. THERE HAVE BEEN REDUCTIONS IN SOME OF THE TYPES OF COMPOUND FEEDS OFFERED AND IN SOME CASES PROTEIN GUARANTEES HAVE BEEN REDUCED.

B) SEVERAL CRUSHERS HAD PURCHASED SIGNIFICANT QUANTITIES OF BRAZILIAN SOYBEANS IN ANTICIPATION OF THE U.S. CONTROLS. IT IS NOT EXPECTED THAT A SIGNIFICANT SHORTAGE OF SOYBEAN PRODUCTS WILL DEVELOP UNTIL ABOUT SEPTEMBER. THERE IS NEVERTHELESS EXTREME CONCERN AMONG CRUSHERS AND COMPOUND FEED MANUFACTURERS ABOUT NEW CROP SUPPLIES. THEY ACCORDINGLY HOPE THAT A POLICY STATEMENT ON NEW CROP SOYBEAN EXPORTS WILL BE ANNOUNCED AS SOON AS POSSIBLE.

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